



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 6/18/2004

**GAIN Report Number:** CA4044

## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 20 2004

**Approved by:**

Gary C. Groves  
U.S. Embassy

**Prepared by:**

George Myles and Christina Patterson

---

**Report Highlights:**

\* McCain Plans to Process Potatoes in China \* Ontario to Assist Packers of Cull Cattle \*  
Report Says Farm Families Hard Hit by BSE \* Biodiesel Production Expands in Ontario \*  
Conservative Party Would Abolish Canadian Wheat Board Monopoly \* Conservative Party  
Receives Majority of Farmer Support \* Manitoba Crop Update \* Ontario Crop Update \* Wheat  
and Barley Production Forecast to Increase

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**McCain PLANS TO PROCESS POTATOES IN CHINA:** According to its new CEO, Dale Morrison, McCain Foods Limited, the frozen food manufacturer headquartered in New Brunswick, with more than 55 production facilities on six continents, will produce frozen french fries in China within two years. In a recent food industry interview, Morrison said that McCain is also looking at Russia and India for future plants. In the meantime, McCain is establishing a presence in China with imports. Canadian exports of frozen french fries to China reached 5,261 metric tons (\$3.6 mil) in 2003 enough to rank ninth in importance as an export destination for Canadian frozen french fries. The level was more than 6 times the quantity Canada shipped to China in 2002 and virtually all of the exports were from New Brunswick and Alberta where McCain has processing facilities. Morrison said that the company has been studying potato growing in China for more than five years and that the Chinese french fry market is being driven by the spread of fast food establishments such as KFC and McDonald's. By far, the number one export destination for Canadian frozen french fries is the United States. Sales to the U.S. in 2003 reached a record 738,711 metric tons, valued at \$472 million and have increased at an annual average growth rate of 9.5% over the last five years. Canadian sales to Japan and Mexico also showed strong growth last year.

**ONTARIO TO ASSIST PACKERS OF CULL CATTLE:** The Ontario government will provide C\$7 million to packers to increase abattoir capacity for older animals. Due to the market disruption caused by the BSE crisis, the province has backlog of an estimated 60,000 head of cull cattle. Prior to the U.S. border closure to live Canadian cattle, Ontario had been shipping approximately 1,000 cull cows per week for processing in U.S. plants, and up to 1,000 dairy heifers per week were destined for U.S. dairy operations. The heifers now remain in Ontario's dairy herds, resulting in an increase in Ontario's dairy cull rates. The lack of slaughter capacity for cull animals has depressed Ontario cattle prices. Under the Mature Animal Abattoir Fund, the Ontario government is making up to C\$7 million available under a two-phase program, for agreements with Gencor Foods Inc. of Kitchener (former MGI plant; see CA4043), Ryding Regency Meat Packers Ltd. of Toronto, West Grey Premium Beef Inc. of Durham, and Brian Quinn's Meats Ltd. in Yarker to increase cull animal slaughter.

**REPORT ASSESSES IMPACT OF BSE ON FARM FAMILIES:** According to a Statistics Canada report, Canada's discovery of a single case of bovine spongiform encephalopathy (BSE), a year ago in Alberta, and the subsequent international trade ban, have had a severe financial impact on Canadian farm families raising cattle. In 2003, Canadian farm cash receipts from cattle and calves were estimated at C\$5.2 billion, a 33% plunge from 2002. The report attempts to assess the potential short-term financial effect of the BSE situation on Canadian farm family income using data from 2000. It assesses the potential financial impact of BSE for families who have a single unincorporated beef cattle operation. Such families are estimated to have lost an average of C\$20,000 due to the BSE situation lowering their average total income 33% from C\$60,000 to C\$40,000. The farm families hardest hit from the BSE fallout would be those operating large intensive cattle operations. Overall, 27% of families operating a single unincorporated beef cattle operation would have earned a total family income below C\$20,000, up from the original 14% that had a family income below C\$20,000 prior to the BSE crisis. The study also showed estimates of the impact of cattle exports on the Canadian economy, using Statistics Canada's national input-output model. For each C\$100 million in exports by the cattle sector, an estimated C\$80 million is added to gross domestic product at market prices, C\$228 million is generated in total output, C\$41 million is added to labor income, and 3,000 jobs are created.

**BIODIESEL PRODUCTION EXPANDS IN ONTARIO:** Biox Corporation announced on Friday, June 11<sup>th</sup>, that it would be building a biodiesel facility in Hamilton within a year. The \$24 million plant will produce 60 million liters (approximately 16 million US gallons) per year and will create 300 new jobs. The Ontario

Soybean Growers were pleased with announcement, as it will create new markets for Ontario soybean oil. Biodiesel is derived from agriculture commodities like vegetable oils and animal fats and can be used as an alternate fuel source or blended with regular petroleum diesel.

**CONSERVATIVE PARTY WOULD ABOLISH CANADIAN WHEAT BOARD MONOPOLY:** In its election platform, the Conservative Party of Canada has stated that it would review and amend the Canadian Wheat Board (CWB) Act during the first term of a Conservative government. The amendment would give the producers the freedom to market their grain outside the CWB if they so chose. The Conservative Party would not eliminate the CWB, just provide producers with a choice. In recent polls, the Conservative Party has moved ahead of the ruling Liberal Party, increasing the likelihood that the Conservatives will win at a least a minority government in the election, which will be held on June 28, 2004.

**CONSERVATIVE PARTY RECEIVES MAJORITY OF FARMER SUPPORT:** In a recent poll done by reputable Canadian polling firm, the Conservative Party of Canada enjoys 60% of farmer support nationally. The ruling Liberal Party is a distant second with 23% support, the New Democrat Party has 7% and the Bloc Quebecois has 6% nationally (with 44% support for the Bloc in Quebec). The poll also asked farmers who they believed would be the most helpful in meeting the needs of the agricultural community. More than twice as many farmers believed the Conservative Party would be the most helpful, garnering 44% vs. the 20% who favored the Liberal Party. During the 2000 election, the farm support was split between the Progressive Conservative Party of Canada and the Canadian Alliance (together support was 55%), allowing many Liberals members to be elected in rural ridings across the country. With the two parties united under the Conservative banner, support is moving from the Liberals to the Conservatives, changing the color of the rural landscape from red to blue. For additional information on the upcoming federal election and the implications for agriculture see CA4045.

**MANITOBA CROP UPDATE:** Rain, rain and more rain, accompanied by cool temperatures continues to plague the province. The provincial department of Agriculture reports as of June 14 that the **Southwest** saw another 32-50 mm of rain in the past week. Cereal crop seeding remains at the same level as last week of 80-90% completed. Oilseeds are 60-70% done, but some canola and flax areas may need to be switched to cereals. The wet fields are forcing producers to switch to seeding by aircraft and custom floaters. The **Northwest** region saw another 10-15 mm of rain, making it very difficult to seed the last 10-15% of crop area. Crops are progressing, but at a slower rate than normal. In the **Central** region more rain and cool, cloudy, windy conditions limited seeding and spraying. Many acres of canola have been seeded by custom floaters and aircraft. Despite this, 10-15% of the crop area has still not been seeded. The **Eastern** region has received a majority of the rain this year, with another 23 mm falling in the past week. Fields are saturated and many are in poor condition. Nearly 80% of the crop area is seeded to cereals and canola. Sunflower and corn acres may not be seeded, depending on the weather. Winter wheat is showing some yellowing from excessive moisture, but fields generally look in good shape. In the **Interlake**, more rain delayed field operations and seeding progress remains unchanged from last week. Soaking rains have plagued soybean-growing areas in Manitoba this spring, making it virtually impossible to get the areas seeded in time. Matt Garnder, an oilseed trade with Parrish and Heimbecker, Ltd, is of the opinion that Manitoba will be lucky to seed 80,000 hectares of soybeans this year. This is a 20% decline from the previous year and a 50% reduction from the projected area to be planted. This reduction in soybean production is contributing to the overall decline in seeded areas across the country, where the overall soybean production is expected to be down. The poor weather conditions throughout the province may also result in nearly 140,000 hectares of seeded land being written off. The estimated loss is above average, but less than in 1999 when over 400,000 hectares was written off.

**ONTARIO CROP UPDATE:** The provincial department of Agriculture and Food, has reported that seeding of corn wrapped up last week with roughly 90% of the intended area planted in most districts. Early planted corn is in good condition, but later fields are variable and some may have to be replanted to other crops. Soybean planting progress has gone from 5% to 75% complete in a week. Canola planting is now complete. Emergence on the later planted stands is uneven due to moisture. Most of the spring cereals are looking good. Some yellowing is occurring in the wet areas of fields, but should green up as fields dry. Growth stages of winter wheat vary across the province. Some of the early planted winter wheat will be ready to harvest by the end of June. Despite the progress, the provincial crop insurance agency is predicting that nearly 49,000 hectares of land will not be seeded due to the very wet spring conditions.

**WHEAT AND BARLEY PRODUCTION FORECAST TO INCREASE:** The Canadian Wheat Board has pegged the production of wheat and durum in Western Canada for the 2004-2005 crop year at 22.1 metric tons, up 4.7% from last year. Barley production was pegged at 11.9 metric tons, an increase of 4.4% from last year. Rainfall has helped to improve crop production expectations. Excess moisture in some areas of the west, especially in Manitoba, are forcing producers to switch from oilseeds to cereals, which may result in even larger productions levels for wheat and barley by the end of the summer.

**Find FAS on the World Wide Web:** Visit our headquarters' home page at <http://www.fas.usda.gov> for a complete listing of FAS' worldwide agricultural reporting.

Recent Reports from FAS/Ottawa:

| Report Number | Title of Report  | Date      |
|---------------|--|-----------|
| CA4045        | Off to the Polls Canada Goes: Implications for Agriculture | 6/18/2004 |
| CA4043        | This Week in Canadian Agriculture, Issue 19                | 6/10/2004 |
| CA4042        | This Week in Canadian Agriculture, Issue 18                | 6/04/2004 |
| CA4041        | Dairy, Semi-Annual   | 6/03/2004 |
| CA4040        | This Week in Canadian Agriculture, Issue 17                | 5/28/2004 |
| CA4039        | This Week in Canadian Agriculture, Issue 16                | 5/21/2004 |
| CA4038        | Provisional Anti-Dumping Duties on U.S. Frozen Pizza       | 5/18/2004 |

**VISIT OUR WEBSITE:** The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto <http://www.usembassycanada.gov>; click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: [agottawa@usda.gov](mailto:agottawa@usda.gov)